

CHAPTER SIX

Compensation

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The current emphasis on teacher quality, coupled with the increased educational demands of the new global economy have stimulated interest in performance-pay initiatives—in fact, according to recent estimates, at least one-third of all districts are currently primed to participate in such programs.¹ Despite this growing consensus that the teacher-compensation system should be reformed, well over 90 percent of the school districts today are still using a single-salary schedule to deliver pay raises to teachers and administrators. Two factors drive raises: (1) annual step increases (the “rungs”) and (2) acquisition of educational credentials (the “lanes”). Unfortunately, research demonstrates that neither factor (years beyond the first few or college courses beyond the bachelor’s and master’s or educational credentials) has sufficient impact on student learning to be included in base salary.² Thus, the classic single-salary schedule sends an entitlement message. Instead, we should move to a system that encourages and rewards skill development and career progression related to improved student learning.³

Compensation reform should focus on the needs of current and future teachers. The goal with respect to the current teacher corps is to provide new incentives for developing more effective instructional skills and to keep more of our top performers from leaving their classrooms. Districts such as Houston, Texas, and Denver, Colorado and states such as Minnesota, have begun to experiment with approaches to pay that are tied to performance, many with the help of the federal Teacher Incentive Fund. Given the recent nature of these reforms, no conclusive evidence relates changes in compensation to improved teacher effectiveness. However, some preliminary research shows that when implemented as part of a comprehensive approach, these changes contribute to increased student achievement.⁴

The other goal of compensation reform should be to help schools succeed in recruiting a larger share of our best and brightest college graduates. In 1972, 30.3 percent of all professional women in America were teachers. By 2004, the proportion had fallen to 13.8 percent. In the intervening decades, the proportion of women becoming

accountants, architects, auditors, dentists, engineers, lawyers, pharmacists, and physicians, among other professions, increased three- to sixfold.⁵ To attract both women and men of talent will require a compensation system that pays highly effective teachers considerably more money, is based on performance rather than longevity, and makes it possible for them to reach the top of the salary schedule within seven to eight years rather than up to thirty.

In this chapter, Marc Wallace, founding partner of Teacher Excellence Through Compensation (TEC) and coauthor, with Allan Odden, of *How to Create World Class Teacher Compensation*, draws on his experience to synthesize the key principles of an effective compensation system and to highlight how the OPE framework meets these essential criteria.⁶

THE NEED FOR CHANGE

There is clear evidence that public education is in crisis, and an effective response will require massive changes in all systems, organizations, and methods in the field. Compensation (the way an organization delivers rewards) is no exception—it will have to change because the way organizations deliver compensation has three enormous effects on employees.⁷ First, it sends important messages about what is important to the organization. Second, it can be used to signal that critical changes must occur in employee behavior for the organization to adapt and survive in a turbulent environment. Third, over the long term, the way we are paid shapes our reactions and behaviors as employees. That is, employees will learn and repeat those activities that are rewarded and will not adopt those that are not rewarded. Simply put, a change effort that ignores compensation will be sending all the wrong messages and reinforcing business as usual—a prescription for failure.

Odden and Wallace show that an effective compensation program is one that aligns with and supports an organization's mission, objectives, and strategy, much like in the private sector.⁸ When the private sector radically changed pay systems in the last decades of the twentieth century, it did so for strategic reasons. Buffered by pressures to dramatically increase performance, cut costs, and move new services and products more quickly into the marketplace, private companies shifted from paying employees for years of service to rewarding significant increases in the skills and knowledge required in the new economy. Similarly, they began to link pay increases and bonuses to the bottom-line performance of the organization, including growth in profits, reduced unit costs, and customer satisfaction. Pay shifted from being an entitlement to an incentive that must be earned through improved business performance.

There is no doubt that public education is being buffered today by the same kinds of forces that have affected the private sector, so we can look to this experience to provide a clear road map for changing compensation in education.

Education's current practice of annual pay steps and raises associated with educational credentials is sending all the wrong messages. The traditional single-salary schedule made sense eighty years ago, when gender-based salary inequities needed to be corrected. In the turbulent twenty-first century, however, it sends a message of entitlement: "Get your master's degree and your salary will step up each year until you retire."

Sending the right message and rewarding the changes required by the educational strategies will demand changes in the way we deliver each element of teacher and administrator compensation:

- *Base salary.* The monthly or annual salary paid
- *Raises.* Progression in base salary over time
- *Variable pay.* Bonuses or incentives that are paid but do not roll into base salary

To alter the message we are sending about teacher compensation, these critical building blocks will have to change in the manner described in table 6.1.

TABLE 6.1
Messages about teacher compensation

| Compensation element | From this message | To this message |
|---------------------------|---|--|
| Base-pay level | "This is what's been negotiated for you." | "This is the value of the personal skills, capacities, and accountability that you bring to the classroom." |
| Annual raises in base pay | "This represents one more year with the district." | "This rewards you for growth in your skills related to instruction (as assessed by observation protocols: see chapter 4) and your contribution to student learning (as assessed by a value-added model: see chapter 3)." |
| Variable pay | "Any bonuses are a privilege of membership." | "This is your reward for your individual contribution, as well as the group's contribution, to student learning gains." |
| Total cash compensation | "You are entitled to this simply because you are here." | "Here's what you and your colleagues have earned." |

KEY PRINCIPLES FOR A STATE-OF-THE-ART COMPENSATION STRATEGY

Making changes in teacher pay may initially be threatening to teachers and administrators. A compelling case can be made for change, but it requires that we make explicit what should be expected from pay systems and present clear, tangible evidence regarding the inability of current reward practices to achieve these results. To accomplish this goal, we need a strategy that shows how a better pay system will directly support the mission, objectives, and improvement strategies a district has set forth. Specifically, a good compensation strategy allows districts to (1) gain control over the process of compensation and direct it toward explicit programmatic goals (e.g., attracting talent, motivating peak performance); (2) raise its sights or expectations for compensation from being a cost to becoming an investment in performance; (3) provide a yardstick or standard for assessing the effectiveness of the district's current compensation strategy by diagnosing gaps and identifying areas where the compensation system needs to change; (4) create principles for identifying what an improved compensation program might look like; and (5) design architectural blueprints or principles for new compensation systems.

To achieve these purposes, a compensation strategy must have two components:

- *Objectives.* What districts want to accomplish with teacher compensation
- *Architecture.* A set of guiding principles, or a blueprint, for the design and operation of each building block of the total compensation package

Experience has yielded a model set of objectives and design principles that districts should embrace in their approach to compensation.

Model Set of Objectives for Teacher Compensation

- Boost student learning and achievement.* Contributing directly to improvements in student learning.
- Support instructional improvement strategy.* Contributing directly to the implementation and accomplishment of the school's and district's overall instructional improvement plan. Such a plan incorporates all initiatives intended to contribute to improved student learning and achievement.
- Enhance attraction and retention.* Contributing to recruiting and retaining sufficient numbers of effective and highly qualified teachers in all areas (especially hard-to-staff areas such as special education, math, and science) in all schools.
- Expand teacher knowledge and skills.* Enhancing the competencies, talents, motivation, and instructional expertise brought to and used in the classroom.

Improve teacher performance. Describing what a teacher accomplishes inside and outside of the classroom.

Create career path opportunity. Providing meaningful and rewarding opportunities for advancement in the teaching profession and education administration.

Provide for accountability. Contributing to a sense of ownership for student results and a commitment to perform in a manner that promotes student learning.

Increase communication. Sending an accurate message about district priorities.

Contain costs. Crafting affordable and predictable compensation programs that conform to the district's financial objectives.

Architecture for Teacher Compensation

Compensation architecture consists of a set of design principles that specify what compensation should look like and how it should operate in order to achieve the program's objectives. A design principle has three parts:

1. The message it sends about each compensation component
2. A description of how the component should work
3. A specification of how the compensation objective(s) is/are served by the component

Table 6.2 summarizes the recommended teacher compensation architecture.

So far, our compensation design principles have addressed monetary compensation, but an effective compensation system should also provide an opportunity for career advancement, as illustrated in table 6.3.

Districts should use this architecture to (1) assess the effectiveness of the district's current compensation system, (2) diagnose any deficiencies or gaps, (3) guide choices for changing the compensation system by making the compelling "business" case for change, and (4) provide the blueprints for a new compensation program.

OPE'S APPROACH TO PAY FOR PERFORMANCE

The desired educator compensation architecture calls for an entirely new system for paying teachers and administrators. OPE has designed an approach for districts that achieves the above compensation principles. It introduces pay for performance and eliminates automatic annual steps, pay for college courses beyond the bachelor's and master's degrees, and educational credentials as a basis for setting base pay. An educator's base salary level in the model is driven by moving up the career ladder

TABLE 6.2
Teacher compensation architecture

| Teacher compensation component | Message | How it should work | Objectives served |
|--|--|--|--|
| Base-salary level: level of a teacher's salary | "Operating within the district's mission, this is fair and competitive pay for the skills and experience you bring to the district." | Teacher salaries at all levels are priced competitively with teacher pay in other districts and the external market. | 1. Attraction and retention 2. Cost |
| Stipends: additional payments made | Circumstances, such as working in a hard-to-staff area or taking on temporary roles, are recognized by a stipend in addition to one's normal salary. | Stipends are established for hard-to-staff areas or for taking on specific roles. The stipend is paid only while the hard-to-staff assignment or other role is occupied. | 1. Attraction and retention |
| Base-salary progression: salary raises or advancement over time | Salary raises are based on acquiring, using, and demonstrating knowledge and skills that increase instructional effectiveness, leading to improved student learning. | Salary raises are linked to career-level advancement, which requires growth in instructional skills and student learning gains. | 1. Student learning and achievement 2. Support instructional improvement 3. Attraction and retention 4. Teacher knowledge and skills 5. Career path 6. Accountability |
| Variable pay: a payment that does not fold into base salary, and must be re-earned | "We want to work collectively and individually to accomplish ambitious/meaningful improvements in student learning and achievement." | Teachers and administrators are rewarded as a group and individually if they produce improvements in student learning and achievement. | 1. Student learning and achievement 2. Support instructional improvement 3. Teacher performance 4. Communication 5. Accountability |

based on two performance factors: (1) sustained achievement of the educator's students (using a value-added model; see chapter 3), and (2) growth in professional practice (using an observation framework; see chapter 4). Annual raises or steps are no longer automatic, but instead must be earned as a result of gains in student learning (using the value-added model; see figure 1.2 in chapter 1).

The OPE approach also introduces a variable-pay component. Teachers are eligible for annual incentive awards based on how their students perform (using

TABLE 6.3
Career advancement

| Teacher compensation component | Message | How it should work | Objectives served |
|---|--|--|---|
| Career opportunity: the ability to increase the breadth and depth of skills and be rewarded for it. | "We encourage and provide the means for professional development to promote the continued growth of teachers in order to improve student performance." | Teachers periodically define their career paths and set and fulfill realistic professional goals toward that end. Such goals could include teacher leadership roles. | 1. Attraction and retention 2. Teacher knowledge and skills 3. Teacher performance 4. Career path opportunity 5. Accountability |

the value-added model) and how the entire school's or building's students perform (using the value-added model). Finally, educational credentials and national board certification are recognized by one-time, nonrecurring bonuses that do not fold into base salary. Table 6.4 provides a more detailed discussion of how base salary adjustments and variable pay work.

The Base Salary Model

OPE proposes the following salary schedule for teachers as a replacement for the traditional single-salary schedule. Table 6.5 is illustrative, as numbers will vary greatly by region.

TABLE 6.4
OPE approach to base salary and variable pay

| Base Salary | | | Variable pay | |
|--|----------------------------------|--|---------------------------------|---|
| Base-salary level | Annual base-salary raise (steps) | Individual incentive award | Group incentive award | One-time bonus |
| Career Ladder Level (student learning gains and professional practice) | + Annual student learning gains | + Annual student learning gains (re-earned annually) | + Annual student learning gains | + MA/MS and PhD/EdD achievement, National Board Certification |

TABLE 6.5
Sample base salary model

| | Step within level | Salary |
|----------------------|-------------------------|----------|
| <i>Distinguished</i> | 2 | \$93,473 |
| | 1 | \$90,313 |
| <i>Advanced</i> | 3 | \$78,533 |
| | 2 | \$75,877 |
| | 1 | \$73,311 |
| <i>Career</i> | 7 | \$61,093 |
| | 6 | \$59,027 |
| | 5 | \$57,031 |
| | 4 | \$55,102 |
| | 3 | \$53,239 |
| | 2 | \$51,438 |
| | 1 | \$49,699 |
| <i>Apprentice</i> | 3 | \$36,814 |
| | 2 | \$35,569 |
| | 1 | \$34,366 |

The OPE salary schedule incorporates several critical features that correspond with the principles discussed previously.

External Competitiveness. The initial starting salary is set at a competitive external market level, and the entire schedule is periodically adjusted upward to keep pace with movements in external labor markets and the starting salaries in other school districts.⁹

Bonuses for Educational Credentials. The new schedule eliminates educational credentials as the basis for pay raises, instead providing a one-time bonus for achieving National Board for Professional Teaching Standards (NBPTS) certification and educational degrees. The one-time bonuses need to be sizable enough to get educators' attention and reward the acquisition of these credentials, but individual districts may want to adjust these bonuses based on availability of funds. Such adjustments should maintain the relative size of the bonuses (e.g., more for NBPTS and the PhD/EdD than for the MS/MA).

Career Levels. New teachers begin as apprentices, making a salary that is set at a competitive external market level. A new teacher with no previous experience would need to spend a minimum of three years (the recommended length of time to get sound statistical measures of their instructional effectiveness) and a maxi-

mum of five years in order to move to the Career level. If a teacher doesn't meet the minimum requirements for the Career level, he or she will not receive a contract and will be dismissed.

As previously discussed, career-level increases are based on two factors. First, a teacher must grow in instructional practice as defined by performance rubrics and achieve ratings of effective (for Career) and highly effective (for Advanced and Distinguished) levels of student learning.

The career earnings progression can be accelerated or fast-tracked, thus allowing the district to compete powerfully for new talent. Teachers must spend a minimum of three years in the Apprentice category, two years in Career, and two years in Advanced before moving to the Distinguished level. In sum, because significant salary increases are associated with the promotion to each successive level, by their eighth year in the profession, teachers can be earning the highest salary paid in the district.

The OPE framework requires that all teachers achieve at least Career status to remain in the classroom and expects that subsets of teachers will reach Advanced and Distinguished levels. To move to the Distinguished rung of the career ladder, a teacher must (1) meet all the requirements for Advanced status—that is, be identified as highly effective through the empirical value-added analysis and rated in the highest category of the observation framework through a peer-review observation process—and (2) serve the district in one of several leadership capacities, such as mentor, coach, team leader, or content specialist. Local districts may choose to develop other criteria for the rank of Distinguished teacher, such as NBPTS, as long as the requirements for Advanced are satisfied.

Annual Steps. The new schedule maintains some annual steps within career-ladder levels, primarily to retain some of the feel of a traditional schedule so the transition is less threatening. Districts should place a greater number of steps for pay advancement within the Career level to recognize the fact that a majority of teachers will not go beyond this level. Although the steps are envisioned to be annual, OPE recommends that these steps be earned only if the teacher continues to meet the level's requirements. At the Career level, for example, a teacher must achieve an effective value-added estimate each year in order to qualify for the step.

To incentivize improved performance, the new schedule places the greatest weight on achieving career-ladder levels. Steps within levels should be more modest when compared to the raises between the Career, Advanced, and Distinguished levels.

The Variable Pay Model

In addition to the base salary program, the OPE approach calls for performance incentives or variable pay opportunities for teachers and administrators at the individual and group (building) level. The purpose of variable pay is to provide

explicit rewards for continuous improvement in educational performance, especially student learning and achievement gains.

Variable pay for teachers in the OPE framework has two components: (1) individual incentive awards for achieving/exceeding student learning goals, and (2) group incentive awards rewarding all teachers in a building (or natural unit) for achieving/exceeding educational goals on a scorecard. These payments do not roll into base salary and must be earned anew each year.

Individual Teacher Incentives. Each teacher will be encouraged to achieve value-added learning goals for their students each year. If teachers are effective, they will receive a bonus; if they are highly effective, they will receive a larger bonus; and if they are ineffective, they will receive no bonus.

Group Incentives (Student-Based Performance Awards). In addition to individual incentives, all teachers in a building (or other natural unit) will be encouraged to work as a team to achieve a scorecard of critical educational measures. Each measure should be weighted by a percentage factor representing its relative importance. The most heavily weighted are the student achievement gains in reading, math, and language arts. Others such as school attendance, stakeholder engagement, human resource development, and use of resources focus on school measures that support educational achievement. They would be defined by portfolio elements that track progress on key indicators and projects.

The student-based performance award (SBPA) program is truly pay for performance because it rewards all the teachers and administrators in a building (or district) for student learning gains and performance on other key educational measures. Because the incentive payout does not roll into base salary, it must be earned each year through continuous improvement in performance.

Remediation

Although we recognize that it is practically impossible to demote people in terms of pay, when teachers or administrators stop performing at a given career-ladder level, OPE recommends that their pay be frozen and no steps or bonuses be awarded. Additionally, teachers who begin to perform at ineffective levels will be required to undergo a process of remediation (discussed in chapter 12). If the remediation program is completed successfully, the salary will be unfrozen and wages lost while in remediation will be restored.

IMPLEMENTATION

Over time, compensation costs fluctuate. They increase as teachers and administrators move up the schedule to higher levels of pay or if cost-of-living or market

adjustments are made to the entire salary schedule. They decrease as teachers and administrators retire at relatively high salary levels and are replaced by teachers and administrators at lower pay levels, or as the number of teachers and administrators diminish through attrition or layoffs in times of declining enrollments.

A district implementing a new compensation system would need to employ the principles outlined here as a yardstick to assess deficiencies in its current program, determine any unique circumstances such as those described above, and adapt the base salary and variable pay components to meet district needs.

Cost of the New Salary Schedule

To accomplish this goal, districts must compare forecasted costs of their current salary schedules with those forecasted for the new approach. The major costs of teacher compensation are (1) base salary plus any stipends; (2) incentive payments earned under a variable pay program or one-time payments for NBPTS and educational credentials (MA/PhD); and (3) benefits (e.g., insurance, retirement contributions, and the like). Districts and unions will be able to negotiate the following costs:

- Base salary increases for jumps in level on the career ladder
- Steps within career-ladder levels
- Individual and group incentives
- Bonuses for NBPTS and educational credentials

To provide an example of how this process plays out in the OPE approach, we have used an actual school district's distribution of teachers across a traditional salary schedule to estimate the distribution in each of the five years of the forecast. We have set the following parameters for the analysis:

- The current schedule will remain in place if we do nothing for the next five years. The entire schedule will be adjusted for cost of living each year of the forecast by a factor of 3 percent. Teachers will move up a step each year with normal attrition through retirements and separations. Retiring teachers will be replaced by new people who will come in lower in the schedule.
- The teacher population will stay constant each year at a full-time-equivalent (FTE) count of 531.
- In order to estimate the percentage of all teachers at the Advanced and Distinguished levels, we used value-added data from Tennessee, where it is estimated that between 15 percent and 20 percent of teachers statewide perform at the level that OPE refers to as highly effective, although the percentage will

vary by grade and subject. Thus, for the sake of planning, we estimate the distribution at any one point in time, as shown below:

Teacher distribution

| Career level | Percentage |
|---------------|------------|
| Distinguished | 5 |
| Advanced | 10 |
| Career | 55 |
| Apprentice | 30 |

- We estimate teacher earnings under the one-time bonuses for NBPTS and education credentials as follows:

| Teacher credentials | | One Time Bonus |
|---------------------|--------|----------------|
| Credentials | Number | |
| NBPTS | 5 | \$7,500 |
| MA/MS | 53 | \$2,500 |
| PhD/EdD | 5 | \$5,000 |

- We estimate earnings under the teacher incentive system as follows:

| Teacher incentive awards | | |
|--------------------------|------------------|--------------------|
| Level | Rating | Percent qualifying |
| Individual | Effective | 55 |
| | Highly Effective | 15 |
| Group | Effective | 55 |
| | Highly Effective | 15 |

Given these assumptions, we modeled costs under two scenarios:

Scenario 1: No new money available. This assumes that the district is trying to change compensation practices without any additional funds. The OPE approach includes a grandfather clause that offers all current teachers the option of choosing to remain under the existing compensation system. All teachers who entered the profession after the OPE framework was in place would fall under the new compensation system, while veteran teachers selecting the grandfather option would be subject to the new evaluation system. As a result of no new money being available, under this scenario we were able to introduce only the OPE Career Ladder Salary Schedule and provide one-time bonuses to recognize educational credentials and NBPTS. Given the parameters we chose for the salary increases, there were not sufficient funds to provide annual performance incentives.

Scenario 2: New money available. In exchange for increased accountability, it is possible that a district would be able to secure additional funds from the pub-

TABLE 6.6
Summary of cost modeling for two scenarios

| Cost | No new money | New money (17% increase in current compensation) |
|--|---|--|
| Significant base-salary increases for achieving OPE career ladder levels (Career, Advanced, Distinguished) | Apprentice to Career—30% Career to Advanced—20% Advanced to Distinguished—15% | Apprentice to Career—35% Career to Advanced—20% Advanced to Distinguished—15% |
| One-time bonuses for degree attainment (MS/MA/EdD/PhD) and NBPTS certification | NBPTS—\$7,500 PhD/EdD—\$5,000 MA/MS—\$2,500 | NBPTS—\$7,500 PhD/EdD—\$5,000 MA/MS—\$2,500 |
| Maintenance of some annual steps with career ladder levels | Steps within the levels on the career ladder of 2.5% | Steps within the levels on the career ladder of 3.5% |
| Individual and group variable pay program | If the above parameters are maintained, then sufficient funds do not exist to cover an individual and group variable pay program. However, if the above numbers were adjusted, additional funds could become available. | Individual Awards • Effective (5%) • Highly effective (10%) Group/school awards • Effective (5%) • Highly effective (10%) |

lic sector (either local, state, or federal governments). In the case modeled with the parameters listed above, the new money required to enhance career salary progression, performance incentives (individual and group), and one-time bonuses for NBPTS and educational credentials came out to be 17.09 percent over the five-year forecast. Given the parameters we chose, 7.25 percent was required for base salary enhancement, 9.12 percent for performance incentive bonuses, and 0.76 percent for NBPTS and educational credential bonuses. The costs for these two scenarios are described in table 6.6.

Guidelines

Districts should follow these steps to create their own cost forecast:

Step 1. Design a population database that contains the following information for each teacher and administrator: name, age, years of service in current position, years in teaching or administration, current base salary, step and

lane placement in current salary schedule, stipends paid this year, and educational degrees.

Step 2. Determine the percentage distribution of teachers and administrators in the current salary schedule.

Step 3. Develop the current schedule in each of the five forecast years using this year's schedule as the base year (0). Districts may want to make across-the-board annual cost-of-living adjustments to the schedule. Use the percentage distribution developed in Step 2 to estimate the distribution of teachers and administrators in the schedule in each of the forecast years. Alternatively, districts may want to estimate these distributions at a more micro level, using specific information regarding retirements, replacements, attainment of educational credentials, etc.

Step 4. Adapt the OPE career-ladder schedule to specific circumstances. Estimate the percentage distribution across levels (Apprentice, Career, Advanced, and Distinguished) that would be expected in each year of the forecast, based on unique district factors. We recommend that absent specific circumstances, districts use the percentage estimates provided above since they are based on expert judgment.

Step 5. Estimate incentive program and stipend costs in each year of the forecast. Forecasting the cost of a variable pay program is a simpler task than that for base salary programs because there are fewer variables. Calculate the payout levels under various levels of target achievement. A liberal forecast might estimate that all schools achieve 100 percent or more of their targets, while a more conservative forecast would estimate considerably less than 100 percent. We recommend that the school district budget for the expected payout, but if actual achievement exceeds the forecast, the shortfall should be calculated as an index. Each teacher's payout would be adjusted downward by the index to fit the budget in a fair manner.

Step 6. Build a spreadsheet model to calculate and compare the total compensation cost of the current salary schedule with the total cost of the new schedule across all years of the forecast. Spreadsheet models are available at no cost at teachercomp.com.

Step 7. Adjust parameters in the forecast (e.g., across-the-board annual adjustments, steps within career-ladder levels, career-level adjustments, stipends, bonus levels) until an affordable result is found.

Step 8. Test the model against actual experience and revise.

CONCLUSION

Districts will face challenges when making the transition from current practices to new compensation systems. To ensure the success of pay initiatives, districts should adhere to the following implementation recommendations:

- Care and timing are critical. Most new pay programs fail not because of an inherent flaw in design but because of procedural and other errors during implementation.
- Effective implementation recognizes that the political dynamics involved in changing teacher pay are equally crucial to the mechanics and includes all critical stakeholder groups (school board, administrators, teachers, union and community) in the process.
- Communication is critical. All channels (formal and informal) must be employed throughout the process to ensure that correct information is getting out, misinformation is eliminated, and feedback from stakeholders is incorporated.
- Information infrastructure is essential and almost always underestimated. Effective implementation requires that data regarding teacher and student performance are reliable, valid, and available on a timely and user-friendly basis.
- Piloting new teacher pay programs is essential. It allows unintended glitches to be ironed out before substantial damage is done. We recommend that new pay systems and all of their elements as discussed in this chapter be piloted for six to twelve months.
- Attention to process is critical. Successful change in pay systems recognizes the importance of attending to process at two junctures: (1) the piloting and testing of all program elements, and (2) the final transition from the old to the new system.
- Finally, long-term success requires that new programs be monitored with both formative and summative assessments throughout their life—not just after the first year. Continual assessment allows programs to grow and adapt to changing conditions.

Pay for performance is here to stay. The demands of the global economy will continue to drive policy that focuses on raising achievement, accelerating instructional improvement, promoting high-quality teaching, and reforming teacher pay. Because no single approach to pay for performance has yet emerged as the best, experimentation with different alternative salary structures, such as the OPE approach presented in this chapter, must characterize reform. States and districts should encourage researchers to study their innovations so that we can accumulate

more knowledge and districts can begin to use this knowledge to design pay-for-performance systems based on strong evidence of what works and what doesn't.

Though it is relatively uncharted territory, changes in teacher and administrator pay provide an important opportunity for reforming American public education. Teachers will be able to advance in their careers more quickly while earning higher pay and status. School districts will be better equipped to attract and retain highly skilled teachers. And, most important, students will benefit from improved quality of instruction and an environment focused on student learning results.

CHAPTER SEVEN

Compensating Educators in the Absence of Value-Added Assessment

VIRGINIA ADAMS SIMON

If we provide teachers in tested subjects and grades with an opportunity to earn additional pay as part of new compensation systems, fairness suggests that we should provide other teachers and specialists with the same opportunity. Since individual awards are typically based on student performance on high-stakes exams, teachers and specialists outside of tested subjects are not usually eligible, sending the message that because their work is not assessed by state-mandated exams, it is somehow not as important. Two recent teacher task forces (the Center for Teacher Quality and the National Institute for Excellence in Teaching) have called for the inclusion of teachers of nontested subjects and grades as essential elements in any pay-for-performance model.¹ If a pay-for-performance system is going to be viewed as fair, then all educators, regardless of their specific assignment, must be eligible for additional pay.

Defenders of the single-salary schedule have often advanced the position that if all educators are not treated in the same way, the compensation system should not be changed. But this argument confuses equity with equality. Educators should be treated fairly, but not necessarily in identical fashion. Every member of a school team has an important role to play in increasing student achievement, and principles of fairness dictate that all staff who work with children be included in the benefits of a pay-for-performance system. Yet measuring a teacher's impact on student learning is a complex process in traditional academic areas, let alone in grades and subjects where annual testing does not exist and, consequently, value-added modeling cannot be applied.

In this chapter, Virginia Adams Simon, an education policy analyst at the University of California, Davis, and one of the original designers of Operation Public Education (OPE), provides districts with recommendations and options for how to include teachers in nontested subjects in pay-for-performance models by drawing on some key examples from other states and large districts. In doing so, she explores how to measure